

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Benton	County Eaton
Fiscal Year End June 30, 2006	Opinion Date July 27, 2006	Date Audit Report Submitted to State 8/31/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

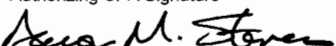
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 		Printed Name Aaron M. Stevens, CPA	
		License Number 1101024055	

**Township of Benton
Eaton County, Michigan**

FINANCIAL STATEMENTS

June 30, 2006

Township of Benton
Eaton County, Michigan
June 30, 2006
BOARD OF TRUSTEES

Joseph Bullen	Supervisor
Martha Halsey	Clerk
Judith Locke	Treasurer
David Rhodes	Trustee
Mark Ewing	Trustee

Township of Benton
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Principals

Dale J. Abraham, CPA
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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Benton
Pottersville, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Township of Benton, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Benton's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Township of Benton as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 26, 2006

Township of Benton
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

The following is a discussion and analysis of the Township of Benton (the Township's) financial performance and position, providing an overview of the activities for the year ended June 30, 2006. This analysis should be read in conjunction with the Independent Auditor's Report and with the Township's financial statements, which follow this section. This discussion and analysis provides comparisons with the previous year.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2006:

- State shared revenue, the Township's largest revenue source in the General Fund, was approximately \$185,721 this year.
- Property tax revenues increased approximately \$5,778 from the prior year. The increase is the net result of increasing taxable value in the Township.
- Total fund balances related to the Township's governmental funds increased by \$9,434.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of Benton as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township of Benton in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

The Township as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2005 and June 30, 2006.

	Years Ended June 30,	
	<u>2005</u>	<u>2006</u>
Assets		
Current assets	\$ 650,600	\$ 705,401
Capital assets, net	<u>396,092</u>	<u>391,090</u>
Total assets	1,046,692	1,096,491
Liabilities		
Current liabilities	26,541	20,921
Net Assets		
Invested in capital assets	396,092	391,090
Unrestricted	<u>624,059</u>	<u>684,480</u>
Total net assets	<u>\$ 1,020,151</u>	<u>\$ 1,075,570</u>

Township of Benton

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

The Township's total net assets were \$1,075,570 at June 30, 2006. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$684,480 at the end of the fiscal year. The net assets invested in capital assets were \$391,090.

The following table shows the changes in net assets for the year ended June 30, 2005 and June 30, 2006.

	Years Ended June 30,	
	<u>2005</u>	<u>2006</u>
Revenue		
Program revenue:		
Charges for services	\$ 3,185	\$ 44,232
Capital grants and contributions	-	4,800
General revenue:		
Property taxes	105,181	82,090
State shared revenue	181,502	185,721
Investment earnings	12,572	15,952
Other revenue	<u>7,637</u>	<u>25,943</u>
Total revenue	310,077	358,738
Program Expenses		
General government	193,026	178,385
Public safety	54,875	92,762
Public works	110,982	54,662
Community and economic development	-	1,972
Recreation and cultural	4,880	4,350
Other	<u>-</u>	<u>16,278</u>
Total program expenses	<u>363,763</u>	<u>348,409</u>
Change in Net Assets	<u><u>\$ (53,686)</u></u>	<u><u>\$ 10,329</u></u>

Governmental Activities

The Township's governmental revenues totaled \$358,738 with the greatest revenue sources being property taxes and State Revenue Sharing. Property taxes and State Revenue Sharing make up approximately 23% and 52% percent, respectively, of total governmental revenue. The Other revenue category has increased due to a reimbursement from the State for damages due to the emerald ash borer.

The Township incurred expenses of \$348,409 during the year. The majority of governmental expense is associated with the general government function, which includes Township Board, Supervisor, Clerk, and Treasurer. The second highest level of expense is incurred in the public safety area, which includes fire services.

The Township's Funds

The analysis of the Township's major fund begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant fund, not the Township of Benton as a whole. The Township of Benton's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The Township's major fund for the fiscal year ended June 30, 2006 was the General Fund.

Township of Benton

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was general government activities, which incurred expenditures of \$174,480 for the fiscal year.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to cover the costs of various minor increased costs over certain budgeted line items. However, because all departments came in under budget at year end, there was an overall favorable variance for expenditures of approximately \$93,796 from budget.

Capital Assets

At the end of the fiscal year, the Township had approximately \$391,090 invested in a broad range of capital assets (net of accumulated depreciation), including buildings, land, and equipment. In addition, the Township has made certain investments in roads and drains within the Township of Benton.

Current Economic Factors

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack. With the increase in assessments, the loss has been equal to our loss of revenue in the past, but we cannot withstand much more of a reduction in revenue sharing.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk or Treasurer at the Township Hall at (517) 645-7880.

BASIC FINANCIAL STATEMENTS

Township of Benton
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 220,573
Investments	449,209
Prepays	7,960
Due from other governmental units	<u>27,659</u>
Total current assets	705,401
Noncurrent assets	
Capital assets not being depreciated	34,452
Capital assets, net of accumulated depreciation	<u>356,638</u>
Total noncurrent assets	<u>391,090</u>
TOTAL ASSETS	1,096,491
LIABILITIES	
Current liabilities	
Accounts payable	12,961
Accrued wages	7,207
Due to other governmental units	<u>753</u>
TOTAL LIABILITIES	20,921
NET ASSETS	
Invested in capital assets	391,090
Unrestricted	<u>684,480</u>
TOTAL NET ASSETS	<u><u>\$ 1,075,570</u></u>

See accompanying notes to financial statements.

Township of Benton
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Capital Grants and Contributions	
Governmental activities:				
General government	\$ 178,385	\$ 44,232	\$ 4,800	\$ (129,353)
Public safety	92,762	-	-	(92,762)
Public works	54,662	-	-	(54,662)
Community and economic development	1,972	-	-	(1,972)
Recreation and cultural	4,350	-	-	(4,350)
Other	16,278	-	-	(16,278)
Total governmental activities	<u>\$ 348,409</u>	<u>\$ 44,232</u>	<u>\$ 4,800</u>	(299,377)
General revenues:				
Property taxes				82,090
State revenue sharing				185,721
Investment earnings				15,952
Other				<u>25,943</u>
Total general revenues				<u>309,706</u>
Change in net assets				10,329
Restated net assets, beginning of the year				1,058,493
Prior period adjustments				<u>6,748</u>
Net assets, end of the year				<u>\$ 1,075,570</u>

See accompanying notes to financial statements.

Township of Benton

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2006

	General	Nonmajor Cemetery Perpetual Care	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 177,395	\$ 43,178	\$ 220,573
Investments	449,209	-	449,209
Prepays	7,960	-	7,960
Due from other governmental units	27,659	-	27,659
TOTAL ASSETS	\$ 662,223	\$ 43,178	\$ 705,401
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 12,961	\$ -	\$ 12,961
Accrued wages	7,207	-	7,207
Due to other governmental units	753	-	753
TOTAL LIABILITIES	20,921	-0-	20,921
FUND BALANCES			
Reserved for prepaids	7,960	-	7,960
Reserved for cemetery care	-	43,178	43,178
Unreserved			
Undesignated, reported in General Fund	633,342	-	633,342
TOTAL FUND BALANCES	641,302	43,178	684,480
TOTAL LIABILITIES AND FUND BALANCES	\$ 662,223	\$ 43,178	\$ 705,401

See accompanying notes to financial statements.

Township of Benton

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2006

Total fund balance - governmental funds \$ 684,480

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	529,661	
Accumulated depreciation is	<u>(138,571)</u>	
Capital assets, net		<u>391,090</u>

Net assets of governmental activities \$ 1,075,570

See accompanying notes to financial statements.

Township of Benton

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended June 30, 2006

	General	Nonmajor Cemetery Perpetual Care	Total Governmental Funds
REVENUES			
Taxes	\$ 110,959	\$ -	\$ 110,959
Licenses and permits	5,483	-	5,483
Intergovernmental	185,721	-	185,721
Charges for services	5,240	4,640	9,880
Interest	15,757	195	15,952
Other	25,943	-	25,943
TOTAL REVENUES	349,103	4,835	353,938
EXPENDITURES			
Current			
General government	174,480	-	174,480
Public safety	92,762	-	92,762
Public works	54,662	-	54,662
Community and economic development	1,972	-	1,972
Recreation and cultural	4,350	-	4,350
Other	16,278	-	16,278
TOTAL EXPENDITURES	344,504	-0-	344,504
EXCESS OF REVENUES OVER EXPENDITURES	4,599	4,835	9,434
Fund balances, beginning of year	621,372	38,343	659,715
Prior period adjustments	15,331	-	15,331
Fund balances, end of year	<u>\$ 641,302</u>	<u>\$ 43,178</u>	<u>\$ 684,480</u>

See accompanying notes to financial statements.

Township of Benton

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ 9,434

Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, this amount is:

Capital outlay	\$ 12,900	
Depreciation expense	<u>(16,805)</u>	
Excess depreciation expense over capital outlay		(3,905)

Some items reported in the statement of activities are not available to finance expenditures of the fiscal period and therefore are not reported as revenues in the governmental funds. These activities consist of:

Capital contribution	<u>4,800</u>
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Change in net assets of governmental activities \$ 10,329

See accompanying notes to financial statements.

Township of Benton

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Benton Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Eaton County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two trustees and provides services in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*; these financial statements present all financial activities of the Township of Benton. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Benton contain all the funds controlled by the Township Board.

2. Joint Ventures

The Township participates in the following activity which is considered to be a jointly governed organization in relation to the Township, due to there being no ongoing financial interest or responsibility.

Potterville-Benton Fire Board - The Township of Benton, in conjunction with the City of Potterville has entered into an agreement that created the Potterville-Benton Fire Board. Each municipality appoints three (3) individuals to the governing board of the Board. The municipalities collect and distribute property taxes that are levied by the Board. The Board provides fire and ambulance services to the municipalities.

The financial activities of Potterville-Benton Fire Board are accounted for separately. Separate audited financial statements for the Board are available directly from the Board. The Township distributed \$92,762 to the Board during the fiscal year ended June 30, 2006, for per capita charges and fire protection.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Township as a whole.

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services that are restricted to meeting the operational requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major fund and nonmajor fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

The major fund of the Township is:

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

4. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

5. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The Government-wide financial statements are prepared using the accrual basis of accounting.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

6. Budgets and Budgetary Accounting

The General Fund budget shown as required supplementary information to the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to July 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at June 30 are not carried forward to the following fiscal year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Budgets and Budgetary Accounting - continued

- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. Individual amendments were appropriately approved by the Township Board in accordance with required procedures.

7. Cash, cash equivalents, and investments

Cash and cash equivalents consist of checking and money market accounts. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All investments are stated at market value.

8. Capital Assets

Capital assets include land and improvements, buildings, and office and computer equipment. Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	10 - 15 years
Buildings	40 - 60 years
Furniture and equipment	5 - 15 years

9. Due From Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan for State revenue sharing collected that is still owed to the Township.

10. Property Taxes

Benton Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Eaton County Treasurer on March 1. The Eaton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Property Taxes - continued

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended June 30, 2006, the Township levied .9168 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2005 levy for property within the Township was \$78,141,700.

11. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township of Benton is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Township of Benton
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2006, the carrying amount of the Township's deposits was \$669,782 and the bank balance was \$674,308, of which \$651,542 was covered by federal depository insurance. The remaining balance of \$22,766 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2006, the Township did not have any investments that would be subject to rating.

Interest rate risk

The Township has not adopted a policy that addresses interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of credit risk

The Township has not adopted a policy that addresses concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

Governmental activities

	Restated Balance <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2006</u>
Capital assets not being depreciated				
Land	\$ 34,452	\$ -	\$ -	\$ 34,452
Capital assets being depreciated				
Land improvements	47,583	11,900	-	59,483
Buildings and improvements	388,398	-	-	388,398
Furniture and equipment	<u>41,528</u>	<u>5,800</u>	<u>-</u>	<u>47,328</u>
Total capital assets being depreciated	477,509	17,700	-0-	495,209

Township of Benton
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE C: CAPITAL ASSETS - CONTINUED

Governmental activities - continued

	Restated Balance <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2006</u>
Less accumulated depreciation for:				
Land improvements	\$(14,095)	\$(3,883)	\$ -	\$(17,978)
Buildings and improvements	(72,447)	(9,710)	-	(82,157)
Furniture and equipment	<u>(35,224)</u>	<u>(3,212)</u>	<u>-</u>	<u>(38,436)</u>
Total accumulated depreciation	<u>(121,766)</u>	<u>(16,805)</u>	<u>-0-</u>	<u>(138,571)</u>
Net capital assets being depreciated	<u>355,743</u>	<u>895</u>	<u>-0-</u>	<u>356,638</u>
Capital assets, net	<u>\$ 390,195</u>	<u>\$ 895</u>	<u>\$ -0-</u>	<u>\$ 391,090</u>

Depreciation expense of \$16,805 was charged to the general government function on the statement of activities.

NOTE D: RISK MANAGEMENT

The Township carries commercial insurance for the risk of loss due to workers' compensation claims.

The Township is exposed to various risks of loss for liability, property, automobile, boiler, and employer's liability for which the Township carries commercial insurance.

NOTE E: RETIREMENT PLAN

The Township of Benton is the sponsor of a defined contribution retirement plan for the sole benefit of its employees. The Township of Benton Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on a preestablished wage-based contribution schedule with the Township contributing 100% of the amount. Employees may elect to contribute additional amounts ranging from 1 to 10 percent of their compensation. To be eligible to participate, an employee must be full-time, eighteen (18) years of age, and have completed six (6) months of services. Elected officials are not required to fulfill the service requirements. The eligibility computation period is the six (6) month period that begins with the date hired.

The contributions fund the premiums for ordinary life insurance tax deferred annuities and various pooled investment funds with the MetLife Insurance Company.

For the year ended June 30, 2006, the Township of Benton had a total payroll of \$85,822. The Township of Benton Defined Contribution Retirement Plan had a covered payroll of \$57,999. Township of Benton made employer contributions to the retirement plan in the amount of \$7,192.

Township of Benton
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE F: FUND BALANCE RESERVES

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the fund balance reserves as of June 30, 2006:

General Fund	
Reserved for prepaids	\$ <u>7,960</u>
Nonmajor governmental fund	
Reserved for cemetery care	\$ <u>43,178</u>

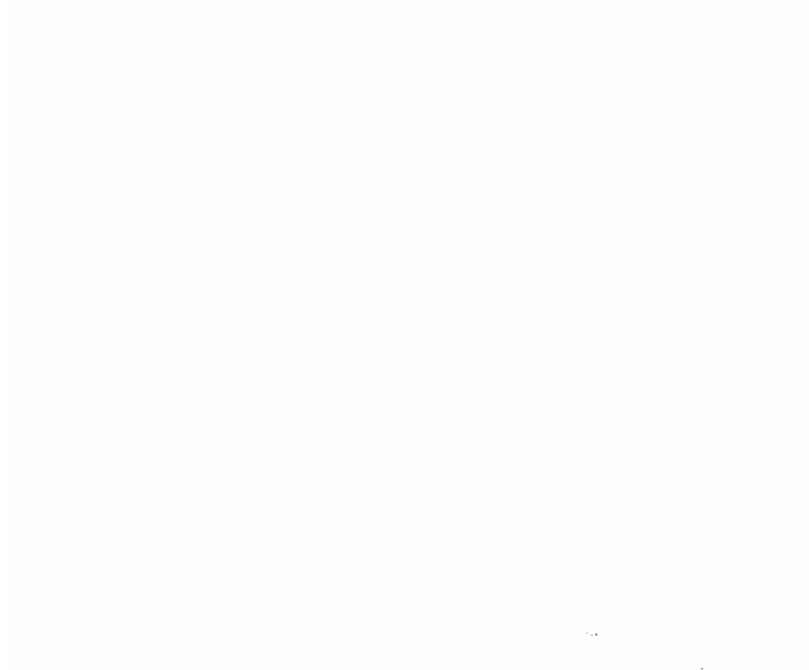
NOTE G: PRIOR PERIOD ADJUSTMENTS AND RESTATEMENTS

The following prior period adjustments were made during the year, which were the result of correction of accounting errors. These adjustments were reported as changes to the beginning fund balance or net assets. The effect on operations and other affected balances for the current and prior year are as follows.

	<u>2006</u>	June 30, <u>2005</u>	<u>Description</u>
Governmental Funds			
General Fund			
Prepaids	\$ -	\$ 8,391	To correct understated prepaids
Revenues over (under) expenditures	-	8,391	
Fund balance - beginning	8,391	-	
Accounts payable	-	(6,940)	To correct overstated accounts payable
Revenues over (under) expenditures	-	6,940	
Fund balance - beginning	6,940	-	
Governmental Activities			
Prepaids	-	5,705	To correct understated prepaids
Change in net assets	-	5,705	
Net Assets - beginning	5,705	-	
Accounts payable	-	(6,940)	To correct overstated accounts payable
Change in net assets	-	6,940	
Net assets - beginning	6,940	-	
Capital assets, net	-	(5,897)	To correct overstated capital assets, net of accumulated depreciation
Change in net assets	-	(5,897)	
Net assets - beginning	(5,897)	-	

In the previous year, the Cemetery Fund of the Township was considered as agency fund and therefore excluded from the government-wide financial statements. The purpose of the Cemetery Fund is to account for the perpetual care activities and should be considered a Permanent Fund. As a Permanent Fund, the financial activity has been included in the government-wide financial statements (on the full accrual basis of accounting). Beginning net assets were restated by \$38,343.

REQUIRED SUPPLEMENTARY INFORMATION



Township of Benton

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current property taxes	\$ 83,700	\$ 83,700	\$ 80,800	\$ (2,900)
Delinquent property taxes	2,500	2,500	901	(1,599)
Administrative and collection fees	27,300	27,300	28,869	1,569
Trailer taxes	400	400	389	(11)
Total taxes	113,900	113,900	110,959	(2,941)
Licenses and permits				
Franchise fees	5,600	5,600	5,354	(246)
Dog license fees	110	110	129	19
Total licenses and permits	5,710	5,710	5,483	(227)
Intergovernmental				
State revenue sharing	190,000	190,000	185,721	(4,279)
Charges for services				
Cemetery lots and burials	3,000	3,000	5,210	2,210
Land divisions	300	300	30	(270)
Total charges for services	3,300	3,300	5,240	1,940
Interest	9,000	9,000	15,757	6,757
Other				
Refunds and rebates	100	100	18,495	18,395
Other	200	200	7,448	7,248
Total other	300	300	25,943	25,643
TOTAL REVENUES	322,210	322,210	349,103	26,893
EXPENDITURES				
General government				
Township Board	9,600	9,600	8,367	1,233
Supervisor	27,500	28,500	27,615	885
Clerk	52,400	57,400	48,923	8,477
Board of review	1,000	1,000	430	570
Treasurer	27,800	27,800	27,007	793
Elections	4,500	4,500	675	3,825
Buildings and grounds	107,000	83,823	32,687	51,136
Cemetery	26,800	30,500	28,776	1,724
Total general government	256,600	243,123	174,480	68,643

Township of Benton

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Public safety				
Fire protection	\$ 100,100	\$ 100,300	\$ 92,762	\$ 7,538
Public works				
Highways, streets, and bridges	39,000	53,277	51,051	2,226
Drains	4,000	4,000	3,611	389
Total public works	43,000	57,277	54,662	2,615
Community and economic development				
Planning department	2,500	2,500	1,972	528
Recreation and cultural				
Parks and recreation	5,800	5,800	4,350	1,450
Other				
Insurance	8,000	8,000	7,360	640
Pension plan contributions	9,450	9,450	6,043	3,407
Contingencies	10,000	8,975	-	8,975
Other	2,850	2,875	2,875	-0-
Total other	30,300	29,300	16,278	13,022
TOTAL EXPENDITURES	438,300	438,300	344,504	93,796
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(116,090)	(116,090)	4,599	120,689
Fund balance, beginning of year	621,372	621,372	621,372	-0-
Prior period adjustments	-	-	15,331	15,331
Fund balance, end of year	\$ 505,282	\$ 505,282	\$ 641,302	\$ 136,020

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



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MANAGEMENT LETTER

To the Members of the Township Board
Township of Benton
Pottersville, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Benton Township for the year ended June 30, 2006. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the Township's internal controls and our discussions with management.

1. The Township should consider adopting additional administrative policies and procedures.

Based on our discussions with management, we noted that the Township has not formally adopted written procedures and policies for certain areas of operation. Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations. It also allows management to have greater visibility over those areas for which they are responsible. Specifically, we suggest that the Township develop, formally adopt, and implement written procedures and policies in the following areas:

- a. Disaster recovery plan - We suggest the Township adopt a disaster recovery plan. The plan should identify areas of operation that are critical to the Township and detail how the Township would continue to operate in the absence of those critical areas of operation.
- b. Credit card policy - Michigan Compiled Law requires that local units of government that utilize credit cards adopt a credit card policy. The specific criteria for a credit card policy are detailed in Public Act 266 of 1995. We suggest the Township prepare a formal credit card policy that complies with the compiled law and adopt it through Board action as soon as possible.
- c. Conflict of interest policy - A conflict of interest policy will clarify the Township's position on ethical behavior and communicate that position to employees and board members. We suggest the Township develop and implement a policy addressing conflict of interest and include it in the policy manual and periodically require a declaration of compliance from employees and board members. The Township should also obtain conflict of interest disclosure statements from its employees and board members.

2. The Township should adopt and implement a fraud risk management program.

During our discussions with management, we noted that the Township does not have a formal risk management program. Lack of policies and procedures related to fraud risk could potentially allow fraud to occur and be unreported or undetected.

We suggest the Township adopt a formal fraud risk management program. The program should include policies and procedures on ways for management to prevent, detect, and deter fraudulent activities.

3. The Township should establish a dollar threshold to record significant assets purchased.

The Township implemented Governmental Accounting Standards Board Statement 34 (GASB 34), which requires (among other things) that capital assets be recorded and depreciated in a new set of full-accrual basis "government-wide" financial statements. During our analysis of capital assets, we noted that the Township does not have a policy in place to specify a dollar threshold to define long-lived assets that would be capitalized and depreciated in the financial statements.

We suggest the Township adopt a capitalization threshold policy that would define assets that are to be included in the financial statements as capital assets. At the Township's option, this policy may be applied retroactively to the current asset list or it may be applied for future purchases only.

4. The Township should review various areas of operation and consider additional segregation of duties.

During our consideration and assessment of fraud risk, we noted that the Township may not have sufficient segregation of duties in its accounting structure. Specifically, we noted that the receipt process is completed by the Treasurer, who receives the money, prepares the bank deposit, makes the bank deposit, and reconciles the bank account. Also, we noted that the completed bank reconciliation is not reviewed or approved at a supervisory level. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, etc.).

While this is a common occurrence in small organizations due to the limited number of employees, the Township should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We suggest that the Township review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we suggest the Township provide a greater review and supervision of employee functions and procedures. We also suggest that in the future when the Township is adopting new or modifying existing financial policies they consider the issue of fraud, and assure that the policy discusses ways that will prevent, deter, and detect fraud within the area the policy is addressing.

5. The Township should adopt an investment policy to address the disclosure requirements of GASB Statement No. 40.

During the course of our audit and through discussions with administration, it was noted that the Township has not adopted an investment policy that addresses certain areas of risk as described in GASB Statement No. 40. Deposit and investment resources often represent significant assets of the Township's funds. These resources are necessary for the delivery of the Township's services and programs. Effective for the period ended June 30, 2006, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the Township's ability to provide services and meet its obligations as they become due.

We suggest the Township amend the current investment policy to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Such policies are required to be disclosed in the notes to the Township's financial statements by GASB Statement No. 40.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements and this report does not affect our report on the financial statements dated July 26, 2006.

This report is intended solely for the use of management and the Township Board of the Township of Benton and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 26, 2006